



**Director of
Central
Intelligence**

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National Intelligence Daily

***Friday
23 July 1982***

State Dept. review completed

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CPAS NID 82-171JX

23 July 1982

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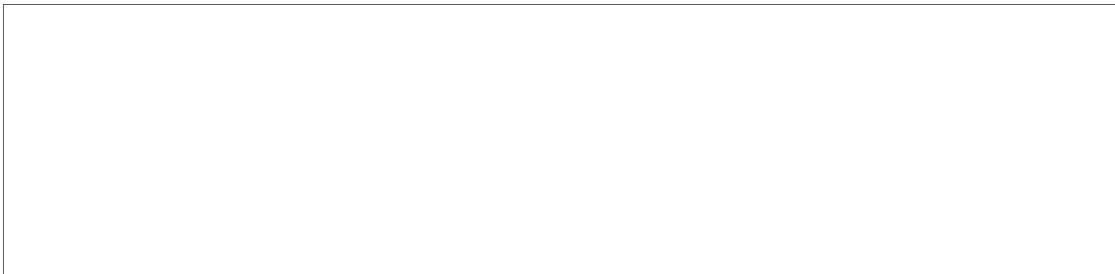
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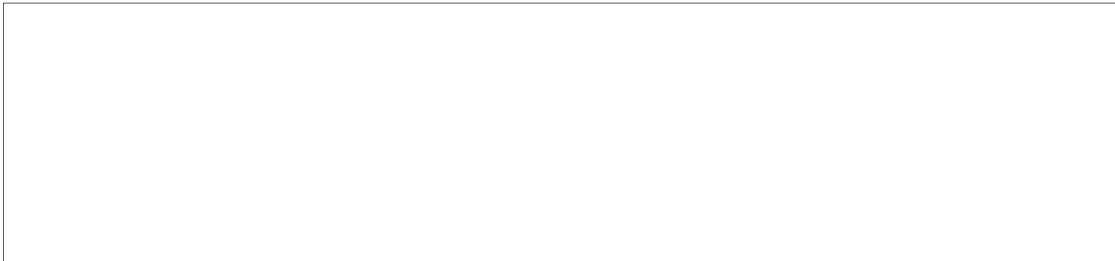
Contents

25X1



5 Ethiopia-Somalia: *Foreign Reaction to Incursions* 7

25X1



10 South Africa - Angola: *Probable Air Attacks* 11



Special Analysis

25X1

12 India-US: *Prime Minister Gandhi's Visit* 12



Top Secret

23 July 1982

25X1

25X1

Page Denied

Next 8 Page(s) In Document Denied

Top Secret

25X1

5

ETHIOPIA-SOMALIA: Foreign Reaction to Incursions

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Most Western nations have reacted cautiously to US and Somali efforts to rally support for Moqadishu in its efforts to turn back Ethiopian incursions.

EC members generally cite conflicting reports on the hostilities and the desire to reach a common position in explaining their reluctance to protest to the Ethiopians.

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Kenyan President and OAU Chairman Moi has called for both nations to cease fighting. Kenya also is concerned about Somalia's continuing claims on Kenyan territory, and it is privately urging the US to keep new arms supplies to Somalia to a minimum.

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The Soviet press has endorsed exaggerated dissident claims of popular support within Somalia. A Soviet official has told a US Embassy officer in Moscow that the USSR will not try to rein in the Ethiopians.

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Comment: Somalia is unlikely to receive new military aid commitments from nations other than the US

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Most Western states are eager to protect their interests in Ethiopia, and many hope eventually to wean Addis Ababa away from the Soviets. Recent moves by Ethiopia to improve relations with the West, however, represent a desire to attract more economic aid rather than a change in political orientation.

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23 July 1982

25X1

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25X1

Top Secret

25X1

10

SOUTH AFRICA - ANGOLA: Probable Air Attacks

[REDACTED]

Luanda's claim yesterday that the South Africans bombed the Angolan town of Cahama has not been confirmed. Pretoria on Tuesday officially warned the UN Secretary General that it would retaliate if guerrillas of the South-West Africa People's Organization carried out alleged plans to increase military activity. [REDACTED]

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Comment: South Africa may believe SWAPO or Angolan units are attempting to move toward Namibia, and its warning may have been intended to set the political stage for operations that probably are already under way. A South African air attack may be intended to signal Luanda that, at least until the negotiations on Namibia are completed, Pretoria does not intend to relinquish control over Angolan territory it has dominated since August 1981. Angola is certain to cite any attack by South Africa to buttress its argument that Cuban troops cannot be removed as part of a settlement on Namibia as long as Pretoria's forces are in Namibia. [REDACTED]

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23 July 1982

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Top Secret
[redacted]

SPECIAL ANALYSIS

(12)

INDIA-US: Prime Minister Gandhi's Visit

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Prime Minister Gandhi will arrive on her visit to Washington next week with her domestic political position secure. In talks with US officials, Gandhi will play down India's longstanding friendship with the USSR and emphasize her country's role as a stabilizing power in Southwest Asia. She is seeking a US commitment to consult with New Delhi on regional security issues and to provide greater support for India's economic needs. [redacted]

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Gandhi's opposition is weak and divided. The recent victory of her candidate for India's presidency demonstrated her strong political control despite mounting factionalism in her party. [redacted]

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1/7 The Prime Minister's willingness to make concessions to US views, however, is limited by her political vulnerability to leftist and Hindu chauvinist critics of the US. They pose no threat to her hold on power, but she wants to assure her party's victory in the next national elections scheduled for early 1985 and to remove any obstacles to the eventual succession of her son, Rajiv. [redacted]

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Ties With Washington and Moscow

[redacted] Gandhi has repeatedly stressed the desirability of strengthening the dialogue between India and the US. She believes India is becoming more isolated internationally because of its image as a Soviet proxy, and her visit to Washington will balance a trip to Moscow this fall. [redacted]

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Gandhi's dissatisfaction with Indo-Soviet ties is a major factor in her decision to expand India's ties with the US and the West. She is frustrated with Moscow's refusal to consider her proposals for at least token troop withdrawals from Afghanistan [redacted]

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[redacted]

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[redacted]

The USSR's importance to India, however, constrains Gandhi's shift toward the US. Indian officials are concerned that the Soviets will react to Gandhi's policy initiatives by reducing military assistance or economic ties. The Soviet share of the Indian arms market is likely to be reduced in the future, but Gandhi's long-standing concern with reliability of supply makes it unlikely that she will sever India's military ties with the USSR. [redacted]

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Soviet diplomatic support for New Delhi on such key issues as India's conflict with Pakistan over Kashmir prompts Gandhi to retain cordial ties with the Soviets. Moscow and New Delhi also share a strategic interest in containing China, which will remain a long-term threat to India despite Gandhi's moves toward normalization of relations with Beijing. [redacted]

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On the other hand, Gandhi probably will seek common ground with the US in her concern over instability in the Middle East. India's economic dependence on the region, which supplies at least 70 percent of its petroleum imports, makes stable relations with the Arabs essential. [redacted]

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[redacted] 25X1

Security Concerns

Gandhi is deeply concerned about US policy in Southwest Asia. She argues US security assistance to Pakistan in response to the Soviet invasion of Afghanistan has brought superpower confrontation to the subcontinent and revived the Cold War. In her view, Pakistani support for the Afghan insurgents, abetted by the US, prolongs the Soviet presence in Afghanistan. [redacted]

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The Indians also believe Islamabad's acceptance of US security assistance undermines both regional stability and moves toward regional cooperation. Gandhi and her advisers fear Pakistan will ultimately use its US-supplied advanced weapons against India. [redacted]

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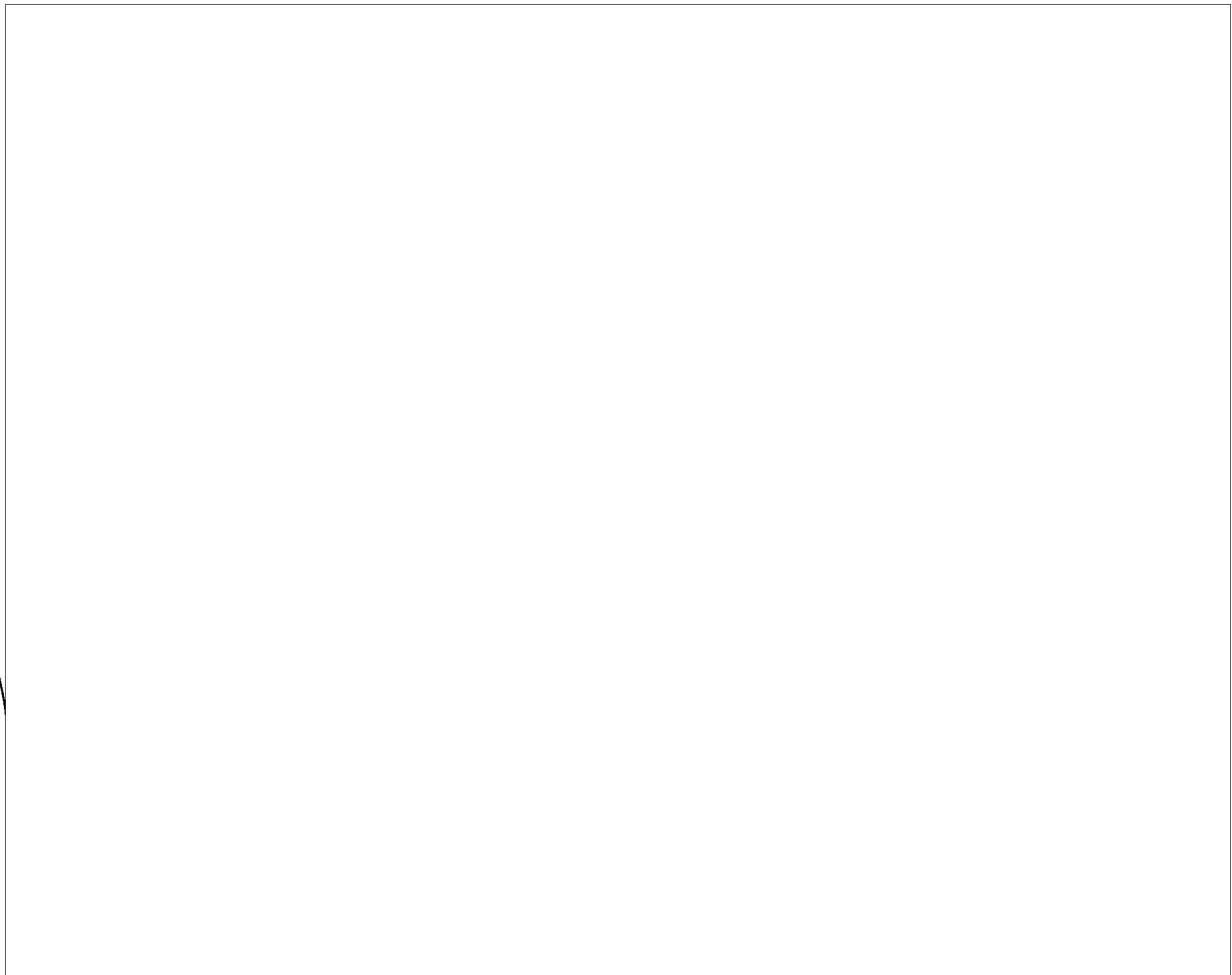
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Economic Issues

India's balance-of-payments problems and Gandhi's recently liberalized economic strategy increase Indian interest in greater cooperation with the US. New Delhi's foreign exchange reserves fell sharply in the fiscal year that ended in March, and only limited improvement in the \$7.3 billion trade deficit is likely for 1982-83.

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Despite these developments, Gandhi has refrained from imposing new import restrictions. Instead, she is trying to use imported goods to improve industrial production, increase exports, and develop India's own energy resources.

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Gandhi's new economic strategy requires increased access to US markets and technology as well as support from the IMF and international development banks, where US views have weight. The US supplies the largest share-- more than 12 percent--of nonmilitary Indian imports and is second to the USSR as a market for Indian products.

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Multilateral institutions now provide about half the financing India needs to cover its current account deficit and repay earlier loans. Based on existing commitments, their assistance will remain at a high level for at least the next two years.

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